



Actuarial and Employer Services Branch
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September 14, 2010

AGENDA ITEM 3a

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

- I. SUBJECT:** Valuation Fees
- II. PROGRAM:** Actuarial & Employer Services Branch
- III. RECOMMENDATION:**

That the Committee recommends to the full Board the following administrative fees for amendment valuations effective January 1, 2011.

- \$900 for each new agency valuation not involving a local system transfer
- \$3,000 for each new agency valuation involving a local system transfer
- \$300 for each amendment valuation

IV. ANALYSIS:

In August 2004, the CalPERS Board adopted the current fee structure. Currently employers are charged a fee of \$200 for an amendment valuation and a fee of \$700 for each new agency valuation. In order to determine whether any changes to the current valuation fee structure are necessary, staff instituted a more rigorous method of gathering detailed information on the number of hours and costs involved in the processing of new agency valuations and amendments.

Based on the information gathered during the past two years, staff is recommending higher fees for both amendment valuations, and for new agency valuations.

There are two types of amendment valuations; those requiring data work such as mergers and reclassification of miscellaneous members to a safety category, and those which do not require data work. Amendment valuations that require data work cost more because of the additional amount of work involved. However, the current charge for all amendment valuations is the same. The charge is a weighted average of the two types of amendment valuations.

Back in 2004 when the current fee structure was adopted, 97% of the valuations that were performed were for amendments that did not require data work. Over the last two years, the number of amendments that require data work has increased and now represent 30% of all the amendment valuations performed every year. Since the last study, staff salaries have also increased. Due to the above reasons, staff is recommending an increase in the charge for amendment valuations. Once again, the new charge is a weighted average of the two types of amendment valuations.

Staff is recommending that effective January 1, 2011, the valuation fees for each amendment valuation increase from \$200 to \$300.

New agency valuations by their nature require more work and we currently charge \$700 for all new agency valuations. There are two types of new agency valuations; those that involve a local system transfer and those not involving a local system transfer. A local system transfer would be for example a plan currently covered under a 1937 Act Retirement System interested to join CalPERS and transfer all assets and liabilities to CalPERS.

A few years ago, the Chief Actuary became concerned about the appropriateness of the actuarial assumptions for potential new agencies currently covered by another retirement system. At that time, the Chief Actuary required an additional step as part of performing the new agency actuarial valuation to compare the impact of the assumptions and methods used by CalPERS to those used in the most recent actuarial valuations of the plan requesting to join CalPERS. In other words, for plans currently covered by another retirement system, CalPERS actuaries now try to duplicate the liabilities and employer rate from the plan's most recent valuation. A reproduction of an existing valuation requires more time and is more expensive to perform.

The current charge for a new agency is the same regardless of the amount of time involved by staff. Therefore, to ensure we properly reflect the amount of work performed by staff, we are recommending a dual fee structure for new agency amendments.

The valuation fees for new agencies will increase from \$700 as follows: Each new agency valuation not involving a system transfer will be charged \$900, and each new agency valuation involving a system transfer will be charged \$3,000.

Agencies that request a new agency valuation or an amendment valuation prior to January 1, 2011 will be subject to the fees currently in place.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Branch.

VI. RESULTS/COSTS:

The recommended increase in fees will result in additional costs to the employers and additional revenue to the system.



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